

Message Text

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C O N F I D E N T I A L SECTION 01 OF 03 LONDON 09957

EB FOR HORMATS

LIMDIS

USEEC

E.O. 11652: XGDS-1
TAGS: ECON, UN, EEC, UK
SUBJECT: UN COMMITTEE OF THE WHOLE: BRITISH PAPER ON
TRANSFER OF RESOURCES

REF: LONDON 9937

1. THE FOLLOWING IS THE TEXT OF THE UK PAPER ON TRANSFER
OF RESOURCES WHICH HAS BEEN "FED INTO THE COMMUNITY" AND
WHICH IS REFERRED TO IN PARA 3 OF REFTEL. POSSESSION
OF THIS PAPER BY THE U.S. SHOULD NOT BE REVEALED.

2. BEGIN TEXT: 1. THE TRANSFER OF RESOURCES WILL
AGAIN BE THE CENTRAL ITEM ON THE AGENDA AT THE SEPTEMBER
MEETING OF THE OVERVIEW COMMITTEE. IT WILL REMAIN
IN GENERAL A MAJOR PREOCCUPATION OF THE G77, RETAINING
A PROMINENT POSITION BOTH AT UNCTAD V IN 1979 AND AT THE
SPECIAL SESSION OF THE U.N. THE FOLLOWING YEAR. IT WILL
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PLAINLY BE AN IMPORTANT ELEMENT IN THE INTERNATIONAL
DEVELOPMENT STRATEGY FOR THE 1980S AND BEYOND, ON WHICH
EARLY ATTENTION IS NOW FOCUSING.

2. IT IS THEREFORE IMPORTANT FOR THE COMMUNITY TO
BEGIN TO LOOK AT THE VARIOUS ELEMENTS THAT MAKE UP THE
AGGREGATE FLOW OF RESOURCES TO DEVELOPING COUNTRIES, THE

INTENTION BEING TO ASSESS WHAT STEPS WOULD BE REQUIRED, OR WOULD BE POSSIBLE, TO EXPAND THEM. THE WORK WOULD TAKE ACCOUNT BOTH OF SOME OF THE CONCERNS RAISED BY THE G77 AND OF QUESTIONS WHICH THE DEVELOPED COUNTRIES THEMSELVES MAY WISH TO RAISE: AND, MORE SPECIFICALLY, IT WOULD NEED TO REFLECT APPROPRIATELY WORK BEING UNDERTAKEN IN THE O.E.C.D., THE DEVELOPMENT COMMITTEE AND ELSEWHERE.

3. THE ASSESSMENT SHOULD BE OPEN MINDED AND IT SHOULD NOT PRESUPPOSE THAT MOVEMENT ON ANY PARTICULAR ELEMENT WOULD NECESSARILY BE POSSIBLE NOR THAT INABILITY TO MOVE ON ONE ITEM WOULD IMPLY MORE FLEXIBILITY ELSEWHERE. THE APPROACH WOULD BE OBJECTIVE AND ANALYTICAL. IN ANY CASE THE COMPLEX NATURE OF THE ISSUE WOULD PRECLUDE CONCLUSIVE ANSWERS BEING POSSIBLE FOR THE COMMUNITY BY THE TIME OF THE SEPTEMBER OVERVIEW MEETING. IT MUST BE CLEARLY BORNE IN MIND THAT THE PURPOSES SERVED BY THE QUOTE ITEMS UNQUOTE DIFFER RADICALLY AND THAT THESE FLOWS ARE NOT MUTUALLY SUBSTITUTABLE. THE TIME FRAME FOR TAKING DECISIONS ON MOST RESOURCE TRANSFER ISSUES WILL PROBABLY HAVE TO BE AN EXTENDED ONE.

4. INVESTIGATORY WORK ON THIS CHARACTER WILL BE NECESSARY FOR THE COMMUNITY IN ANY CASE IN PREPARATION FOR UNCTAD V, AND THE CONSTRUCTION OF THE INTERNATIONAL DEVELOPMENT STRATEGY. IT WILL THUS HAVE A SUBSTANTIVE CONFIDENTIAL

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PURPOSE. BUT IT WOULD ALSO SERVE TO DEMONSTRATE TO THE G77 THAT, WHILE THE COMMUNITY COULD CLEARLY NOT ENTER INTO ANY PRIOR UNDERTAKINGS, ITS MIND WAS OPEN TO AN OBJECTIVE AND FULL EXAMINATION OF THE ISSUES. FROM A TACTICAL VIEWPOINT THIS KIND OF DEMONSTRATION MIGHT USEFULLY SERVE TO HEAD OFF A DIFFICULT TIME IN NEW YORK IN SEPTEMBER.

5. OUR PROPOSAL IS THAT THE WORKING GROUP ON DEVELOPMENT COOPERATION WOULD BE AN APPROPRIATE BODY TO BEGIN THE COMMUNITY'S EXAMINATION OF THIS ISSUE. IT MIGHT DO SO ON THE BASIS OF AN INITIAL PAPER FROM THE COMMISSION. IN OUR VIEW THIS WOULD NEED TO ADDRESS, UNDER EACH SUB-HEADING, THE KINDS OF QUESTIONS AND ISSUES SET OUT BELOW.

PRIVATE BANK LENDING AND EXPORT CREDITS.

(1) THE BANKS ARE PLAYING A VITAL ROLE: HOW CAN IT BE EXPANDED? ONE CONSTRAINT TO AN INCREASE IN PRIVATE BANK LENDING AND IN EXPORT CREDITS (OFFICIAL AND GUARANTEED) MAY BE CONCERN ABOUT THE CREDIT-WORTHINESS

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C O N F I D E N T I A L SECTION 02 OF 03 LONDON 09957

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OF INDIVIDUAL L.D.C. BORROWERS. IS THIS IN FACT THE
MAIN CONSTRAINT? ARE THERE PROBLEMS ABOUT THE MATURITY
STRUCTURE OF THE BANKS' LIABILITIES? HOW FAR IS THE
LEVEL OF PROFITABILITY OF SUCH LENDING A FACTOR? ARE
THERE ANY WAYS IN WHICH THE CREDIT-WORTHINESS CONSTRAINT
COULD BE RELIEVED? IDEAS WHICH SHOULD BE EXAMINED
INCLUDE, FOR INSTANCE, PART-GUARANTEE OF SOME LENDING BY
I.F.I.S., INCREASED CO-FINANCING, AND DIRECT PART-INVEST-
MENT BY THE I.B.R.D. AND MAIN REGIONAL BANKS IN PARTICU-
LAR TYPES OF PROJECTS WHERE THIS WOULD HELP TO PRODUCE
EXTRA PRIVATE FLOWS ON THE LINES OF WHAT THEY HAVE BEEN
DOING FOR ENERGY AND MINERALS. SQUARE BRACKETS BEGIN
APART FROM ANY VIEWS THE COMMUNITY MAY HAVE, WE SHOULD
OF COURSE REQUIRE A CLEAR INDICATION OF THE I.B.R.D.'S
OWN THINKING IN THIS AREA SQUARE BRACKETS END.

MONETARY ELEMENTS.

(II) ON THE MONETARY SIDE THERE ARE THREE
AREAS FOR EXAMINATION. FIRST, WHAT WILL BE THE LIKELY
SIZE AND IMPACT OF THE SEVENTH QUOTA REVIEW ON THE
DEVELOPING COUNTRIES? SECOND, WHAT ARE THE PROSPECTS
AND IMPLICATIONS OF A NEW S.D.R. ISSUE, ON WHICH THE
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FUND'S EXECUTIVE DIRECTORS SHOULD REPORT IN THE AUTUMN?
THIRD, THE I.M.F./I.B.R.D. STAFF REVIEW OF EXPORT EARN-
INGS STABILIZATION FOR THE DEVELOPMENT COMMITTEE SUGGESTS
A NUMBER OF CHANGES TO THE C.F.F. AND FOCUSES IN PARTICU-
LAR ON THE IMPORTANT QUESTION OF MEDIUM TERM BALANCE OF
PAYMENTS PROBLEMS. WHAT WOULD BE THE EFFECTS OF THESE
CHANGES ON THE PROSPECTS AND CREDITWORTHINESS OF COUN-
TRIES LIKE ZAMBIA: ARE MORE RADICAL CHANGES NEEDED: ARE
INTEREST SUBSIDIES TO BENEFIT I.D.A. RECIPIENTS DRAWINGS
AN OPTION TO BE LOOKED AT MORE CLOSELY.

PRIVATE INVESTMENT.

(III) ON PRIVATE INVESTMENT THE G77 SEEMS TO
BE TAKING A LESS RIGID STAND. IF THEY GENUINELY WELCOME
GREATER FLOWS, WHAT MORE CAN BE DONE BY THE INDUSTRIAL-
IZED COUNTRIES OR THE MULTILATERAL AGENCIES. THE
DEVELOPMENT COMMITTEE WORKING GROUP ON ACCESS TO CAPITAL
MARKETS CONCLUDED THAT MULTILATERAL INSURANCE WOULD NOT
BE MUCH USE, BUT IN THE U.N. SOME FURTHER EXPERT WORK
HAS BEEN COMMISSIONED ON BOTH GUARANTEES AND MULTILATERAL
RE-INSURANCE. CAN ANYTHING MORE BE DONE BY THE I.F.C.
OR THE SPECIAL BODIES (S.I.F.I.D.A., A.D.E.L.A. AND
P.I.C.A.) SET UP TO STIMULATE INVESTMENT IN THE DIFFERENT
REGIONS? ELABORATION OF THE COMMISSION'S OWN PROPOSALS.
ARE THERE OTHER IDEAS? WHAT ARE MEMBERS' OWN EXPERIENCES
FOR INSTANCE, WITH INVESTMENT INSURANCE SCHEMES?

MULTILATERAL FLOWS.

(IV) OFFICIAL FLOWS THROUGH THE I.F.I.S. ARE
VERY IMPORTANT, EVEN IF A RELATIVELY SMALL PART OF TOTAL
FLOWS. WHAT ARE THE PROSPECTS FOR PROGRESS ON THE WORLD
BANK CAPITAL INCREASE? WHAT WOULD BE THE LENDING POSSI-
BILITIES AT DIFFERENT LEVELS OF CAPITAL INCREASE? WHAT
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ARE THE COMPARABLE POSSIBILITIES FOR THE I.A.D.B. WHOSE
RESOURCE EXPANSION IS NOW ACTIVELY BEING NEGOTIATED?
AND FOR THE A.D.B.? OTHER IDEAS? WHAT ATTITUDE SHOULD
BE TAKEN TO THE MEXICAN PROPOSAL FOR FURTHER IN-DEPTH
WORK ON THE I.F.I.S. BY THE DEVELOPMENT COMMITTEE? WHAT
ARE OUR PRELIMINARY VIEWS OF THE SEPARATE MEXICAN IDEA
FOR A NEW DOLLARS 15BN. FACILITY TO ALLOW CAPITAL GOOD
IMPORTS ON LONG-TERM FINANCE (NOW BEING STUDIED BY THE

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C O N F I D E N T I A L SECTION 03 OF 03 LONDON 09957

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BANK)? HOW COULD SUCH A MECHANISM BE FUNDED? IF IT
WENT AHEAD WOULD IT ADVERSELY AFFECT THE PROSPECTS OF AN
ACCEPTABLE INCREASE IN THE I.B.R.D.'S GENERAL CAPITAL?
WHATEVER THE OUTCOME THE PROBLEM WILL REMAIN OF WHAT TO
DO ABOUT MEDIUM AND LONGER TERM BALANCE OF PAYMENTS
DIFFICULTIES, PARTICULARLY OF I.B.R.D. RATHER THAN I.D.A.
COUNTRIES: WHAT IMPLICATIONS DOES THIS CARRY FOR THE
APPROPRIATE MIX OF PROJECT AND PROGRAM AID FROM THE
I.B.R.D.?

O.D.A.

(V) ON AID THERE IS PERHAPS LESS TO BE SAID.
BUT HAVE WE ALL REALLY DONE OUR UTMOST TO ENSURE QUOTE
PREDICTABLE INCREASES UNQUOTE IN OUR PROGRAMS? CAN WE
NOT ONCE AGAIN EXCHANGE IDEAS ON WAYS OF BOOSTING OUR
AID OVER A PERIOD? PERHAPS EACH MEMBER STATE COULD
COMMENT IN DETAIL UPON EACH OF THE DEVICES ALREADY MEN-
TIONED BY OTHER MEMBERS AND EXAMINE HOW FAR IT MIGHT BE
APPLICABLE WITHIN ITS OWN SYSTEM OF FORWARD BUDGET
PLANNING. IN ADDITION, WHAT MORE NEEDS TO BE DONE TO
BOOST THE PREPARATION OF GOOD INVESTMENT PROJECTS? CAN
AID ACHIEVE ANYTHING HERE, AND IF SO HOW? ALONE OR IN
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SOME COMBINATION WITH PRIVATE CAPITAL? FINALLY, IN THE
CONTEXT OF BOTH THESE OTHER ISSUES, WOULD IT NOT BE POS-

SIBLE TO LOOK MORE CLOSELY AT MULTI-YEAR FORWARD PLANNING
FOR THE U.N.D.P.? WHAT ARE THE DISADVANTAGES OF THIS?

RESPONSIBILITIES OF DEVELOPING COUNTRIES.

(VI) WHAT RESPONSIBILITIES COULD REASONABLY
BE ASKED OF DEVELOPING COUNTRIES IN THE AREA OF RESOURCE
TRANSFERS? IN PRINCIPLE THEY NEED TO MAKE THE BEST
POSSIBLE USE OF THE EXTERNAL RESOURCES AVAILABLE TO
THEM: ARE THERE WAYS OF STRESSING THIS MORE STRONGLY?
COULD THE MULTILATERAL DEVELOPMENT INSTITUTIONS HAVE A
GREATER ROLE IN THIS PROCESS? ARE THERE OTHER WAYS IN
WHICH IT MIGHT BE APPROACHED? THE OTHER RESPONSIBILITY
RELATES TO THE QUESTION OF INVESTMENT PROTECTION. ARE
THERE NEW IDEAS TO BE EXPLORED APART FROM SEPARATE CON-
SIDERATION OF POSSIBILITIES FOR LOME II? END TEXT.

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